

OSD Declassification/Release Instructions on File

ADDRESS

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

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MR. WILLIAMS: I am sure all of you read in the News Letter which you received the synopsis of Mr. Shillito's life and learned about all of his experiences and why he is where he is. In case you didn't get to look at it too carefully he is the product of the University of Dayton, he was a pilot during World War II and spent a considerable time as a prisoner of war.

After the war he was with the Air Materiel Command as a contracting officer at Wright Patterson for quite some time. Then he left the Government and went with the Hughes Aircraft Company where he was Director of Sales. Later he became president of the Houston Fairless Corporation. He then was president of the Logistics Management Institute which I am sure you are familiar with and went on from there to become Assistant Secretary of the Navy for Installations and Logistics and later he was selected by the President and appointed to the job he now has as Assistant Secretary of Defense.

It gives me great pleasure to present to you Mr. Barry Shillito.

MR. SHILLITO: Thank you very much, Mr. Williams.

It is a pleasure, indeed, for me to have the chance to be with you today. Recognizing that we still have to eat, I will make my remarks brief. Maybe I better not promise that until I see where I end up. I, too, find myself fascinated by Mr. Williams' introduction in that I hadn't really thought about the name Houston Fairless too much. But with each passing day as we find ourselves looking at the problems that we are faced with, maybe that's how I got this job. It must be something other than this background that he talked about, I'll tell you.

It is always a pleasure for me to have the chance to talk to a group such as this. I have had a most satisfying relationship with ICAF over the years and I would say the last few years under the guidance of General Hardy and General Kendall it has been particularly rewarding -- the occasions that I have had to visit ICAF, the opportunities to get to know and get to appreciate better that which ICAF means, that which it stands for, and the importance of ICAF.

You represent some of our best management in the Department of Defense. I know that you have varied functional experience and different educational backgrounds; but the one thing you do have in common is your ICAF experience.

One of my hopes in talking to you today is to influence persons of your background and particularly your classmates who will follow you, to undertake careers in logistics. We have a shortage of experienced

management personnel (or if we have enough, we haven't always employed them properly in the past).

This ties in very closely with the remarks made by General Hardy because this is a period of change and it is a terribly dynamic period. I doubt that any other one segment of our defense operations is changing quite the way our logistics operations are changing. We must stay on top of this, we have to recognize this, we have to prepare for it.

In my opinion our logistics operations really offer more in the way of challenging fields -- and I emphasize the fact that this is plural -- than any other one segment of our total defense organization; in fact, in many ways more than any other one segment of our industry operations. It can be rewarding, particularly rewarding for people who enjoy problems. Most of us wouldn't be where we are if we didn't enjoy problems in spite of the frustrations that they present and some of the awkward day-to-day kinds of things that they present us in the way of choices.

The numbers in the logistics operations of defense themselves are very staggering. Ten to eleven million contracts are let each year, with only a small number that receive the attention of the press. However, this small piece of the total receives an awful lot of attention by the press.

We also get deeply involved in such basic things as food and

food management. Three to four billion dollars a year are spent in this field, with 5800 mess halls. We mentioned to someone the other day that if we are off as much as 5¢ a meal throughout defense on an annual basis, that adds up to \$120 million a year.

Defense cataloging would swallow up Sears and Roebuck and Montgomery Ward and all the others you might think of -- there are four million items in the defense catalog system alone. Maybe we don't have all the items in the catalog system that should be there. Well, maybe we have too many too, depending on how you look at it.

Today one of our toughest problems relates to the installations piece of the spectrum, the acreage we are faced with of 29.5 million at about 11 thousand installations, with 600 of them that are fairly major. About half of the major ones each year have a very severe encroachment problem. The realignment of these installations as far as years to come is concerned, is going to present many problems and it is going to require professionalism that has not been the case in the past. In the past, defense has been able to obtain resources required along the sea-coast for air space or for our various installations. We are not going to be able to do that in the future. All these things tie in to just a couple of basic points that I would like to emphasize -- the problem of management and the importance of management in today's environment -- particularly the importance of management in this changing environment.

As I said earlier, we have a lot of problems and many of them

get publicized. But this one overriding factor does emerge and it cannot be emphasized enough. We must have capable, extremely well-motivated people running these pieces of our operation, a few we have touched on. These people, of course, have to be outstanding both as far as our military and our civilian manpower are concerned. People make our system work; it's as simple as that.

I don't know but what too much time historically has been spent concerning ourselves with policies, procedures, techniques and the rest of these kinds of things and just not enough time given to this matter of people, the quality of people, capabilities of people, and training of people in order to get this logistics job done.

A number of you I am sure are aware of the fact that this is one of the things -- in fact, the key point that Messrs. Laird and Packard have emphasized in the last year plus. We intend to continue to emphasize this important factor. We must have meaningful career programs to achieve the management objectives that are essential in order to make this system work.

Not too long ago we looked at our logistics work force. We developed a picture of our work force, what its problems might be, what it lacked. I should mention here that the other day a Senator was being extremely critical with a piece of our logistics operations. After reviewing with him our efforts in this particular area, I concluded that we really are our most severe critics. Not too many people realize this,

but we are. I am sure this is something you people know. But in making these self criticisms or these comments, I should emphasize that probably we have moved further in the logistics career development area with success than in other segments of our defense operations. This has been particularly true during the past several years, even though we have a lot more to do. A few things stood out -- we need more information, we need more data as to the kind of people we have, the kind of people we don't have, the kind of people we need.

We are concerned about age. The average age for example of our civilians now -- key civilians in our logistics operations -- is 48. You look at this from a length of service viewpoint and nearly 40 plus percent of these people are going to qualify for retirement in 5 years and in 10 years 60 percent. We really don't have the proper kind of work force coming in to this system. In fact 7% -- only 7% of our civilian employees are under 30. So, we have a problem here and we're not on top of it yet.

Another is the rotation situation which is something of a problem. The average civilian doesn't move much. The average military probably moves too much. This is something that concerns us. The typical military senior person in segments of our logistics operation -- procurement is an example -- has limited prior experience in the procurement field. He is, however, extremely well educated but has limited prior experience.

Career planning for logistics civilian personnel is not compatible with that of our military people. We have various career programs in being but the implementation and coverage are neither complete nor integrated the way they should be. Retention rates are not what they should be either. This bothers us. The mix of our military-civilian people in our key logistics functions also concerns us.

A lot has been done, as I said earlier. Advancement in the career -- various careers in the logistics field are becoming more attractive. We see many more stars today in the logistics operations than has been the case historically. And this is essential. We are seeing higher grades on the civilian side -- that also is essential.

The last time I was in Vietnam it was interesting to note that logisticians are still a stepchild as far as the South Vietnamese are concerned. They have one star now -- a General Quinn. And this is very recent. Of course, as we Vietnamize, this is where we are going to be finding ourselves wrapped around the axle longer than in any other one segment of our operations. I would venture to say that they, the Vietnamese, may end up with a few more stars in this field with time, as they too recognize its importance.

The findings I have discussed reflect situations as they apply to a program or concept on a DoD-wide basis. They are not facts as they apply to individual activities in many individual commands. In fact, it was the excellence of the programs in a number of commands that really

prompted the recommendation for this DoD-wide look and the DoD-wide recommendations that came out.

We have developed some fairly decent career programs. Again, they are not implemented as effectively as they might be. The procurement career program is an example of that which I have in mind. GAO recently took a look at this. They pointed out that the most important ingredients in this career program, the procurement program, was naturally the caliber of the people that we have doing the job -- exactly what we have been saying now for some time.

They suggested the program was adequate, they were complimentary in regard to the way it was laid out, the career piece of it, the progression pattern, the development plan, the inventory information and these kinds of things. They complimented us on these elements. At the same time they indicated that the entire operation was changing and changing so rapidly that actually -- in line with the comments that were made by General Hardy -- we are really not on top of it the way we are going to have to be. We have to recognize these changes and we must now get out in front of them. The problems are becoming more complex and we are not going to solve the problems that we are going to face as we move into the late seventies without recognizing this and doing something about it now.

I am hopeful that the GAO report, which has not come out yet in final form, will lead to some marked improvements so this effort in the procurement field may become a model for a number of other functional programs. Approved For Release 2002/03/25 : CIA-RDP86-00244R000100090020-5

In my opinion there are just a few steps that we have to take to recognize the potential of our people. We must establish very definitive long range career programs along the lines that we have planned in this one piece of our operations, the procurement area. We have a lot of actions going in supply, maintenance, and overall logistics, the capstone type programs. We must assure better utilizations of our personnel, military and civilian. We must reward managerial capability and vice versa. Too often in our selection processes managerial capability is not given the kind of consideration that it should be given. This is going to change.

There is no question that the selection of management teams and assuring the efficient performance of those teams is critical to the success of many of our operations. When we look at the publicity that we have received in the weapon systems area alone, we find that this is an area that typifies the kind of problem that we are facing in other areas.

In conclusion, I would only state the management of anything -- engineering, finance, procurement, any of our resources -- is an exercise in the development of people. Managers may not with impunity abdicate from this responsibility. While I am most impressed with the dedication, the capability of many of the manpower specialists that we do business with daily, the people decisions may not be shuffled off to our personnel offices. I think to adopt Clemenceau's famous statement, "People are too important to be left to personnel specialists," this

Career development or career management in any professional or occupational area can profitably be discussed only within a framework of mission or purpose and objective, as Dave Packard keeps emphasizing over and over. This makes it clear that the logistics managers must, as a minimum, set these objectives and determine the professional and occupational mix that they have to have to get the job done in this rapidly changing environment.

Again I appreciate the chance to be with you. Thank you very much.